

**BEFORE THE TENNESSEE REGULATORY AUTHORITY AT
NASHVILLE, TENNESSEE**

April 14, 2005

IN RE:

**JOINT PETITION OF SOUTHWESTERN BELL
COMMUNICATIONS SERVICES, INC. AND SBC
TELECOM, INC. D/B/A SBC LONG DISTANCE FOR
APPROVAL OF INTERNAL CORPORATE
RESTRUCTURING AND TRANSFER OF ASSETS TO
SBC LONG DISTANCE LLC**

**DOCKET NO.
04-00357**

ORDER APPROVING MERGER

This matter came before Chairman Pat Miller, Director Deborah Taylor Tate and Director Ron Jones of the Tennessee Regulatory Authority (the "Authority" or "TRA"), the voting panel assigned to this Docket, at a regularly scheduled Authority Conference held on December 13, 2004 for consideration of the *Joint Petition* filed by Southwestern Bell Communications Services, Inc. d/b/a SBC Long Distance¹ ("SBCLD") and SBC Telecom, Inc. ("SBCT") (together "the Parties") for TRA approval, pursuant to Tenn. Code Ann. § 65-4-112 (2004), of a corporate restructuring and a transfer of authority to provide telecommunications services.

Background

SBCLD is a Delaware corporation and a wholly owned subsidiary of SBC Communications, Inc. By an order dated July 23, 2004 in TRA Docket No. 04-00069, SBCLD received a certificate of public convenience and necessity ("CCN"), authorizing it to provide competitive facilities-based local exchange telecommunications services, exchange access

¹ On February 28, 2005, in Docket No. 04-00446, the Authority approved the *Petition* of Southwestern Bell Communications Services, Inc. d/b/a/ SBC Long Distance to change its name to SBC Long Distance, Inc

services, operator services and resold intrastate interexchange telecommunications services within the State of Tennessee.

SBCT also is a Delaware corporation and a wholly owned subsidiary of SBC Communications, Inc. SBCT received its CCN by an order dated May 22, 2000 in TRA Docket No. 00-00025. Under its CCN, SBCT is authorized to provide facilities-based and resold competitive local and interexchange telecommunications services throughout the State of Tennessee.

The Joint Petition

On October 15, 2004, the Parties filed their *Joint Petition* seeking the TRA's approval of a merger that will result from a corporate restructuring involving SBCLD, SBCT, and their parent, SBC Communications, Inc. ("SBC"). The Parties outline a set of transactions through which SBCLD will request that the CCN of SBCLD be cancelled and the newly formed company, SBCLD LLC, maintain SBCT's broader CCN which includes facilities-based and resale authority for local and long distance telecommunications services. When the transactions are complete, SBCLD LLC will be the only SBC affiliate that holds a CCN and provides telecommunications services in Tennessee. The proposed transactions are expected to close on or about March 31, 2005, and the Parties request that TRA approval be effective as of the date of closing.

The Parties assert that the proposed transaction will not have an adverse impact on SBCLD or SBCT customers. SBCLD LLC will continue to honor the liabilities, contracts and obligations of SBCT, and the nature and quality of the telecommunications services provided will remain the same. SBCT customers will continue to receive service with the same rates, features and terms and conditions. Although the proposed transaction will be seamless to

customers, the Parties intend to provide a customer notification letter that conforms to TRA Rule 1220-4-2-.56(2)(d).

SBC's internal restructuring proposed in the *Joint Petition* involves organization of the operations around related business entities instead of regions and simplification of the corporate structure. Consequently, the proposed transactions do not result in a change in the ultimate control of the operating entity; only the indirect control will change. The newly formed SBCLD LLC is essentially the same entity as SBCLD, which was granted a CCN by the Authority in Docket No. 04-00069; therefore, it possesses the financial, managerial, and technical qualifications to provide the same level of service to both SBCT and SBCLD customers. This process of corporate streamlining promotes the public interest by improving the overall efficiency and competitive ability of SBCLD LLC, leading over time to improved pricing, product and service options for Tennessee consumers.

Statutory Framework

The Parties submitted their *Joint Petition* pursuant to Tenn. Code Ann. § 65-4-112 (2004) and the rules of the Tennessee Regulatory Authority. Tenn. Code Ann. § 65-4-112(a) (2004) governs TRA approval of mergers or consolidations between two or more public utilities holding CCNs in the State of Tennessee. It provides as follows:

No lease of its property, rights, or franchises, by any such public utility, and no merger or consolidation of its property, rights and franchises by any such public utility with the property, rights, and franchises of any other such public utility of like character shall be valid until approved by the [A]uthority, even though power to take such action has been conferred on such public utility by the state of Tennessee or by any political subdivision of the state.

Findings

Based upon careful consideration of the *Joint Petition* and of the entire record of this matter, the Authority finds and concludes as follows:

1. Southwestern Bell Communications Services, Inc. d/b/a SBC Long Distance and SBC Telecom have both received certification to provide telecommunications services in Tennessee.
2. The Authority has jurisdiction over the subject matter of the *Joint Petition* pursuant to Tenn. Code Ann. §§ 65-4-101 (2004) and 65-4-112 (2004).
3. As a result of the proposed transactions described in the *Joint Petition*, SBCLD will convert from a corporation to a limited liability company and the assets of SBCT will be transferred to SBCLD LLC. SBCLD LLC will operate under the broader CCN of SBCT and SBCLD's CCN will be cancelled. SBC will retain ownership of SBCLD LLC, and SBCLD LLC will be the only SBC affiliate providing service in Tennessee.
4. SBCLD LLC is the same entity as the former SBCLD, a certificated entity. Thus, it possesses the financial, managerial, and technical qualifications to provide the services currently provided by SBCLD and SBCT.
5. Approval of the merger pursuant to Tenn. Code Ann § 65-4-112 (2004) is compatible with the public interest.
6. Pursuant to Tenn. Code Ann. § 48-21-112 (2004), SBCLD LLC will continue to honor all corporate contracts, liabilities and obligations of SBCLD.
7. Petitioners will promptly notify existing customers of SBCT and SBCLD of the merger.

December 13, 2004 Authority Conference

At the December 13, 2004 Authority Conference, the Directors voted unanimously to approve the *Joint Petition* pursuant to its findings and a finding of compliance with the requirements of Tenn. Code Ann. § 65-4-112 (2004). In addition, the Authority approved the

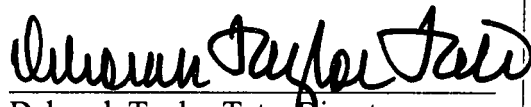
customer notification letter that will be mailed to customers pursuant to Tenn. Comp. R. & Regs. 1220-4-2-.56(2)(d).

IT IS THEREFORE ORDERED THAT:

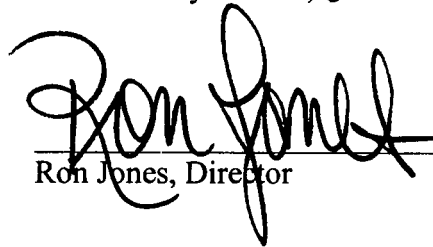
1. The *Joint Petition* of the Parties is approved.
2. The proposed merger as described in the *Joint Petition* and discussed herein is approved effective as of the date of closing of the transactions which will be on or about March 31, 2005.
3. Petitioners shall promptly notify existing customers of SBCT and SBCLD of the merger using the letter approved by the Authority. Pursuant to Tenn. Comp. R. & Regs. 1220-4-2-.56(2)(d), such notification must be provided at least 30 days prior to the transfer.
4. Upon closing of the transactions described herein and upon meeting the 30-day customer notification requirement the CCN of SBCLD will be cancelled.



Pat Miller, Chairman



Deborah Taylor Tate, Director



Ron Jones, Director